

Department of Social and Health Services

DP Code/Title: M2-DK State Supplemental Payments

Program Level - 060 Economic Services Admin

Budget Period: 2003-05 Version: F2 060 2003-05 2004 Sup-Agency Req

Recommendation Summary Text:

The Economic Services Administration (ESA) requests funding to meet the federal Maintenance of Effort (MOE) spending requirement for Washington's State Supplemental Payment (SSP) program. Statewide result number 5.

Fiscal Detail:

Operating Expenditures

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Overall Funding			
001-1 General Fund - Basic Account-State	16,188,000	12,005,000	28,193,000
Total Cost	16,188,000	12,005,000	28,193,000

Staffing

Package Description:

During the 2002 Legislative Session, the Department of Social and Health Services (DSHS) was directed to redesign the system by which it pays federal Supplemental Security Income/State Supplemental Payment (SSI/SSP), and to convert state-only payments for service for some Division of Developmental Disabilities (DDD) clients to SSI/SSP funding. The requirement to limit SSP to persons or families who are also SSI cash recipients limited the number of DDD clients who could be converted to the new program.

In July 2003, the Social Security Administration (SSA) disallowed DDD program payments made between August 2002 and July 2003. The limited client base and the SSA disallowance of expenditures caused the department to fall short of the required MOE. In order to make up the disallowance of expenditures anticipated to be counted towards the MOE for Fiscal Year 2004, ESA must increase the amount of the SSP and the number of SSI clients who receive an SSP. Policy options are available, which meet SSA requirements, but these additional expenditures exceed the funds available in the DSHS budget.

Narrative Justification and Impact Statement

How contributes to strategic plan:

This package directly supports ESA's goal of maintaining a safety net for clients. This request assures that the state will not be penalized under the federal Social Security Act for failure to meet a state's MOE obligation.

Performance Measure Detail

Program: 060

Goal: 02F Maintain safety net for people in need.

No measures submitted for package

Incremental Changes

FY 1

FY 2

Reason for change:

The state must meet the SSI MOE requirement by December 31, 2003 in order to avoid federal penalties, which include the loss of approximately \$3 billion in federal Medicaid matching funds.

Impact on clients and services:

ESA currently pays a SSP to two categories of SSI clients: 1) individuals with an ineligible spouse and; 2) Mandatory

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Income Level as directed by the 2002 Legislature. Granting this request would restore benefits to two additional categories of SSI clients: 1) aged and blind and; 2) prevent the SSA from implementing the federal Medicaid funding penalty.

Impact on other state programs:

The proposed funding for SSI recipients who are aged and blind primarily benefits Home and Community Services clients.

Relationship to capital budget:

Not applicable

Required changes to existing RCW, WAC, contract, or plan:

DSHS would need to amend WAC 388-474-0012 to add the new categories of SSP clients and amend the payment levels set in WAC 388-478-0055.

Alternatives explored by agency:

As directed in the 2002 Supplemental Budget the department submitted a plan to the SSA that would have provided SSP benefits to a broader group of DDD clients than just SSI recipients. SSA did not approve the DDD plan. This denial means that DDD cannot use existing state expenditures to meet the SSI MOE requirement causing the current anticipated shortfall in MOE expenditures.

Because ESA has served a population acceptable to SSA in the past, it is likely SSA would approve a revision in the state plan that included serving some or all of those populations again. However, ESA no longer has sufficient General Fund-State authority to serve those populations at the level necessary to meet the MOE requirement. This package is the only option of meeting the MOE requirement.

Budget impacts in future biennia:

Funding at the State Fiscal Year 2005 level will carry forward into future biennia.

Distinction between one-time and ongoing costs:

In November 2003, the department will issue payments to about 23,600 additional SSI clients using a temporary issuance method. These ongoing payments to clients will cause one-time administrative costs for State Fiscal Year 2004 of \$117,597 for the following: postage, client notice, translation, warrant, client requested fair hearings, and SSA retroactive SSP payment costs.

Ongoing administrative costs for State Fiscal Year 2005 using permanent systems' coding changes, in place as of January 2004, are estimated at \$94,637. Costs include client notices, warrants, postage, and translation services.

Effects of non-funding:

The Social Security Act states that failure to spend the state's federally required SSP MOE results in the loss of Medicaid funding. Current Medicaid funding is in excess of \$3 billion annually.

Failure to fund the SSP MOE will result in increased MOE costs in future years due to the way SSA calculates state annual MOE obligations from year-to-year.

Expenditure Calculations and Assumptions:

See attachment - ESA M2-DK State Supplemental Payments.xls

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<u>Object Detail</u>	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Overall Funding			
E Goods And Services	187,000	159,000	346,000
N Grants, Benefits & Client Services	16,001,000	11,846,000	27,847,000
Total Objects	16,188,000	12,005,000	28,193,000

DSHS Source Code Detail

Overall Funding	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Fund 001-1, General Fund - Basic Account-State			
<u>Sources</u> <u>Title</u>			
0011 General Fund State	16,188,000	12,005,000	28,193,000
<i>Total for Fund 001-1</i>	16,188,000	12,005,000	28,193,000
Total Overall Funding	16,188,000	12,005,000	28,193,000